WEEKLY ECONOMIC REVIEW

JANUARY 21, 2005

U.S. consumer prices increased 2.7% in 2004, in line with expectations. Core inflation (excluding food and energy) rose only 0.1% in December, suggesting that U.S. inflationary pressures remain benign.

Strength in the U.S. household sector was evident with the release of December's housing starts, which jumped 10.9%. Generally strong U.S. economic data suggest that the U.S. Federal Reserve will continue to raise interest rates in 2005.

Even with record oil prices this year, Canada's annual inflation rate was just 1.9%, the lowest it has been this decade. Alberta had the lowest inflation rate among the provinces in 2004, at 1.4%.

The Bank of Canada's measure of inflation, which excludes the eight most volatile components, was at 1.5% in 2004, the lowest annual increase since 2001. With continued low inflation and recent signs of slack in the Canadian economy, the Bank of Canada is not expected to raise interest rates before the second half of 2005.

Cdn Dollar (C¢/US$)

Jan 21, 2004	81.9¢
Jan 14, 2004	81.9¢
2004-05 YTD	77.6¢

WTI Oil SUS/bbl

Jan 20, 2004	$46.91
Jan 13, 2004	$48.04
2004-05 YTD	$43.59

Nymex Natural Gas CS/mcf*

February Contract

Jan 21, 2004	$7.94
Jan 14, 2004	$7.75

*Estimate based on Nymex Futures Market Price

Alberta manufacturing activity posted a strong monthly increase of 2.5% in November. To date in 2004, Alberta has increased its manufacturing shipments by an impressive 13.8%.

Oil prices retreated from earlier in the week on news of higher than expected US oil inventories. Concerns with political unrest in Iraq prevented prices from falling further.

Economic Indicators Released this Week	Reference Period	Month/Previous Month (M/M)	Month/Previous Year's Month (Y/Y)	Year-to-date[1]
Consumer Price Index	December			
Alberta	132.2	-0.2%	1.8%	1.4%
Canada	125.4	-0.2%	2.1%	1.9%
U.S. Consumer Price Index	December			
	190.3	-0.1%	3.3%	2.7%
Manufacturing Shipments ($ millions)	November			
Alberta	4,626	2.5%	21.0%	13.8%
Canada	49,997	0.2%	11.1%	7.9%
Wholesale Trade ($ millions)	November			
Alberta	4,067	0.1%	13.7%	12.4%
Canada	37,893	0.5%	6.5%	6.4%

Source: Statistics Canada, U.S. Bureau of Labor Statistics

[1]Year-to-date 2004 compared to the same time period in 2003. For example: January-November 2004 versus January-November 2003

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